

FISCAL NOTE

Bill #: SB0176

Title: Gross revenue tax on certain hydroelectric facilities

Primary Sponsor: Toole, K

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Revenue:		
General Fund	\$1,121,558	\$2,243,116
Net Impact on General Fund Balance:	\$1,121,558	\$2,243,116

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. Under this proposal, a 1% tax is imposed on the gross revenue derived from the sale of electricity produced from a hydroelectric facility with a nameplate capacity of at least 5 megawatts. A facility is exempt from paying this tax if it is owned by the State of Montana, United States government, municipal electric utility referred to in 69-8-103(5), or by a rural electric cooperative organized under the provisions of Title 35, chapter 18, MCA.
2. The 1% tax is effective January 1, 2004.
3. Under this proposal, revenue received from the 1% tax is deposited in the state general fund.
4. The 1% tax will generate new revenue to the state general fund of \$1,121,558 in fiscal 2004 and \$2,243,116 in fiscal 2005.
5. The impacts in assumption four are calculated using three variables. The first variable is a five-year average of electrical generation (megawatt hours) from hydroelectric facilities subject to this tax. This data was calculated using information provided by the U.S. Department of Energy. The estimated megawatt hours are adjusted downwards by 5% as a precaution for the accuracy of the data. The estimated taxable megawatt hours in fiscal 2004 are lower than in fiscal 2005 due to the tax being in effect for only half of fiscal 2004. The second variable is the price per megawatt hour. This fiscal note assumes a price of \$40 per megawatt hour over the forecast period. The last variable is the tax rate of 1%. The revenue from this tax is calculated by multiplying the megawatt hours by the price and the 1% tax rate, as shown in the table below.

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(continued)

SB176 As Introduced Revenue Impact Calculations						
<u>Fiscal Year</u>	<u>Taxable Generation (megawatt hour)</u>		<u>Price (megawatt hour)</u>	<u>Estimated Gross Sales</u>	<u>Tax Rate</u>	<u>Estimated Revenue</u>
FY2004	2,803,895	X	\$40	= \$112,155,819	X 1%	= \$1,121,558
FY2005	5,607,791	X	\$40	= \$224,311,637	X 1%	= \$2,243,116

6. Under this proposal, the Department of Revenue would require administrative time for compliance and administration work. However, given the limited population of filers the costs would be minimal.

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$1,121,558	\$2,243,116
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$1,121,558	\$2,243,116

LONG-RANGE IMPACTS:

Revenues to the general fund would be increased in all fiscal years after fiscal 2005. The increase in revenue will depend on the amount of energy generated by taxable hydroelectric facilities and the price at which that energy is sold.